INVESTMENT

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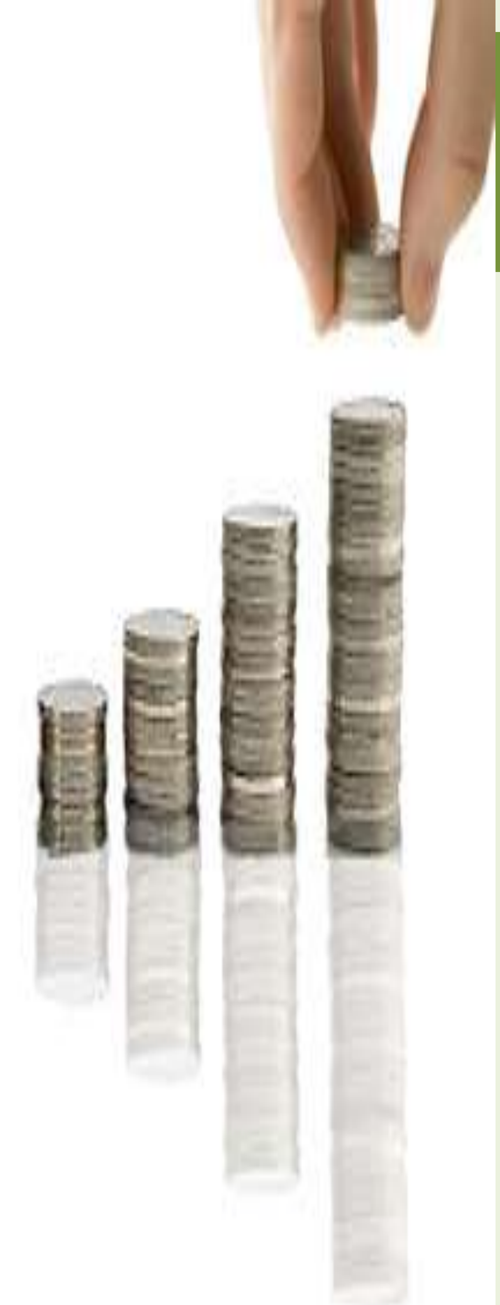

What is Investment?

Money you earn is partly spent and the rest saved for meeting futures expenses

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Needs of Investment

Earn return on your idle resources

Generate a specified sum of money for specific goal in life

Make a provision for an uncertain future

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Inflation

Rate at which the cost of living increases

Cost of living is simply what it costs to buy the goods and services you need to live

Inflation causes money to lose value

Example: if there was a 6% inflation rate for the next 20 years, a Rs. 100 purchase today would cost Rs. 321 in 20 years.

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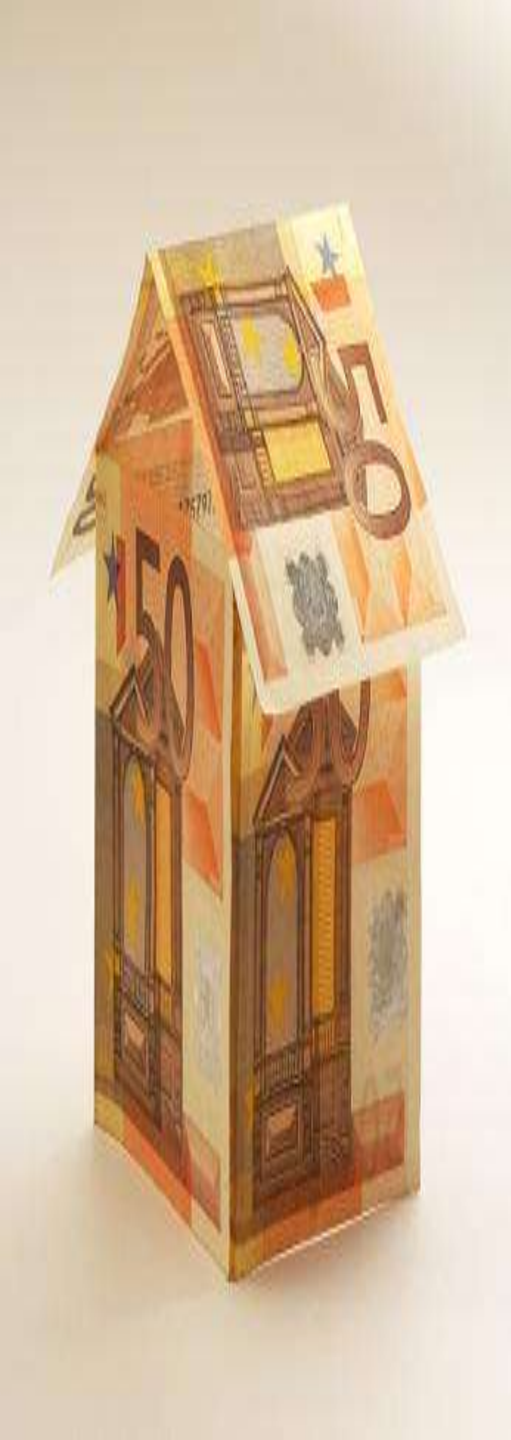

Return

Return above inflation rate to ensure that investment does not decrease in value

Example:- if the annual inflation rate is 6%, then the investment will need to earn more than 6% to ensure it increases in value

If after-tax return on your investment is less than the inflation rate, then your assets have actually decreased in value.

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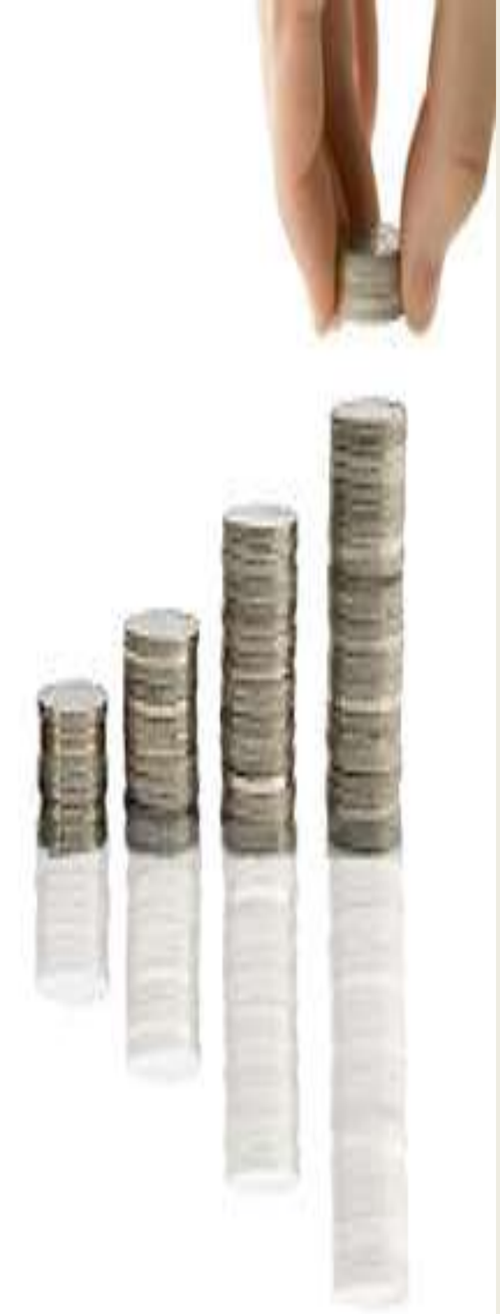

Inflation v/s Return

Assets of class	Inflation	Return (approx)
Fixed Deposit	8.82%	8.50%
Gold	8.82%	10-12%
Share	8.82%	17%
Mutual Fund	8.82%	14- 15%

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Golden Rules of Investment

- Invest early
- Invest regularly
- Invest for long term and not short term

Important Steps to Investing

1. Obtain written documents explaining the investment
2. Read and understand such documents
3. Verify the legitimacy of the investment
4. Find out the costs and benefits associated with the investment
5. Assess the risk-return profile of the investment
6. Know the liquidity and safety aspects of the investment
7. Ascertain if it is appropriate for your specific goals
8. Compare these details with other investment opportunities available
9. Examine if it fits in with other investments you are considering or you have already made
10. deal only through an authorized intermediary
11. Seek all clarifications about the intermediary and the investment
12. Explore the options available to you if something were to go wrong, and then, if satisfied, make the investment

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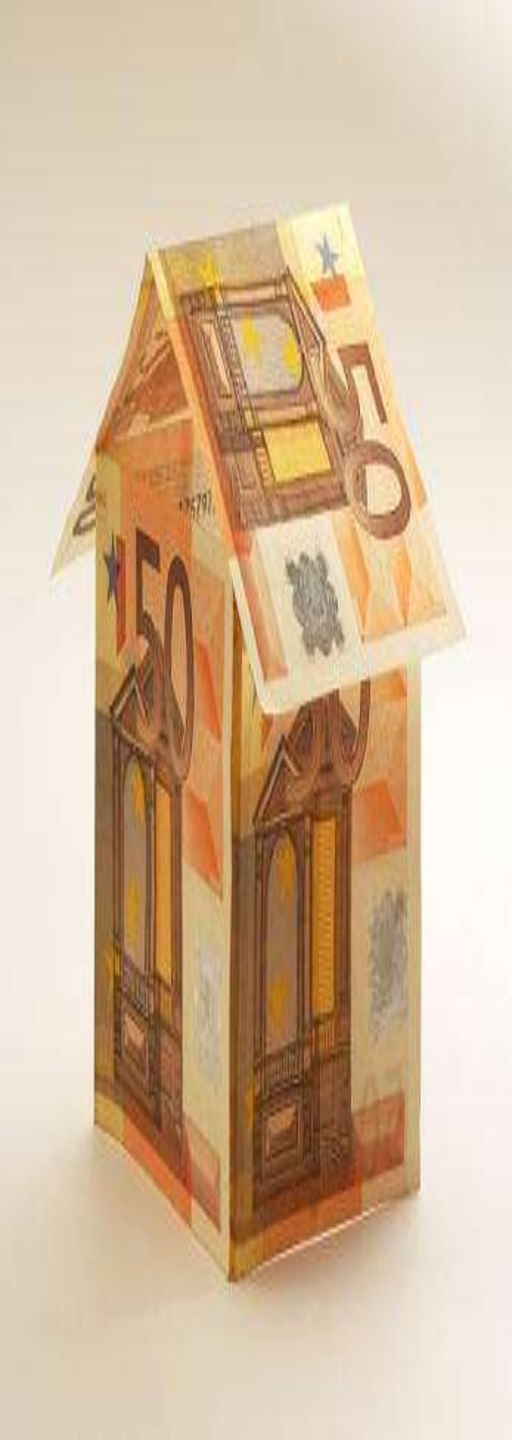
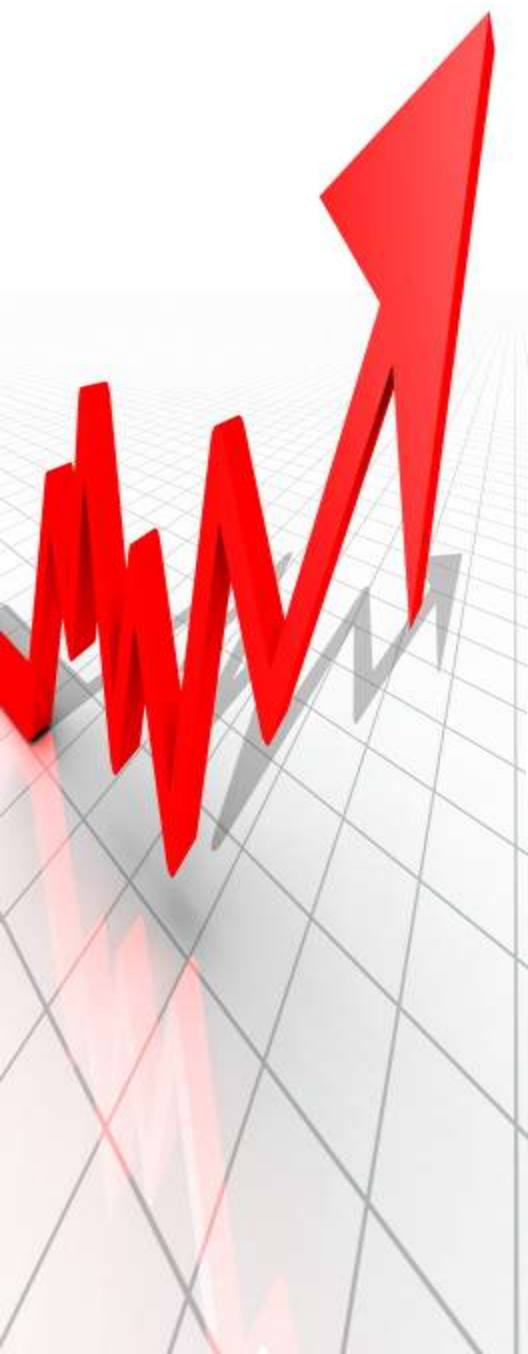


Interest

When we borrow money, we are expected to pay for using it

An amount charged to the borrower for the privilege of using the lender's money

Calculated as a percentage of the principal balance



Factors determine Interest Rate

- Demand for money
- Level of Government borrowings
- Supply of money
- Inflation rate
- RBI & Government policies which determine some of the variable mentioned above

Options for Investment

Physical Assets

- Real Estate, Gold / Jewellery, Commodities

Financial Assets

- Fixed Deposit , Small Saving Instruments Mutual Fund,Pension fund and securities market instruments

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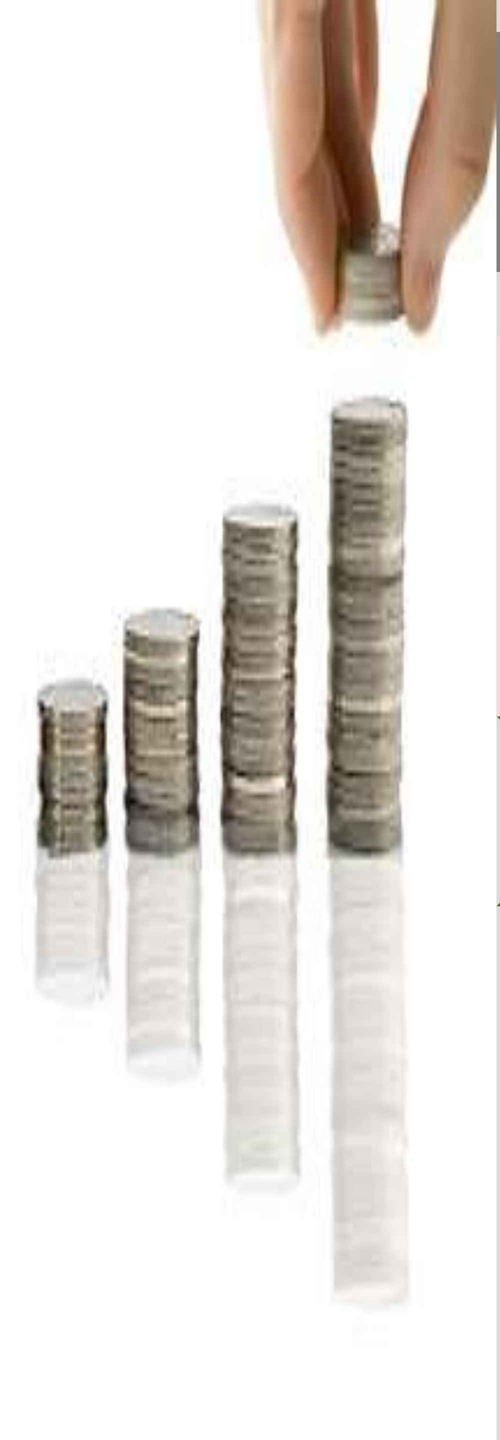

Short-Term Financial Option Investment

Saving Bank Account

Money Market or Liquid Funds

Fixed Deposits

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Saving Bank Account

- First banking product people use
- Offers low interest (4% - 5% p.a.)
- Interest is taxable in the hand of Investor

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Money Market / Liquid Funds

Specialized form of mutual funds that invest in extremely short - term

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Primarily protecting your capital and then, aim to maximize returns

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Money market funds usually yield better than saving accounts, but lower than bank fixed deposits

Fixed Deposits with Banks

1. Referred to as term deposits
2. Minimum investment period for bank FDs is 30 days
3. FDs with bank are for investor with low risk appetite
4. FDs is lower than money market fund returns

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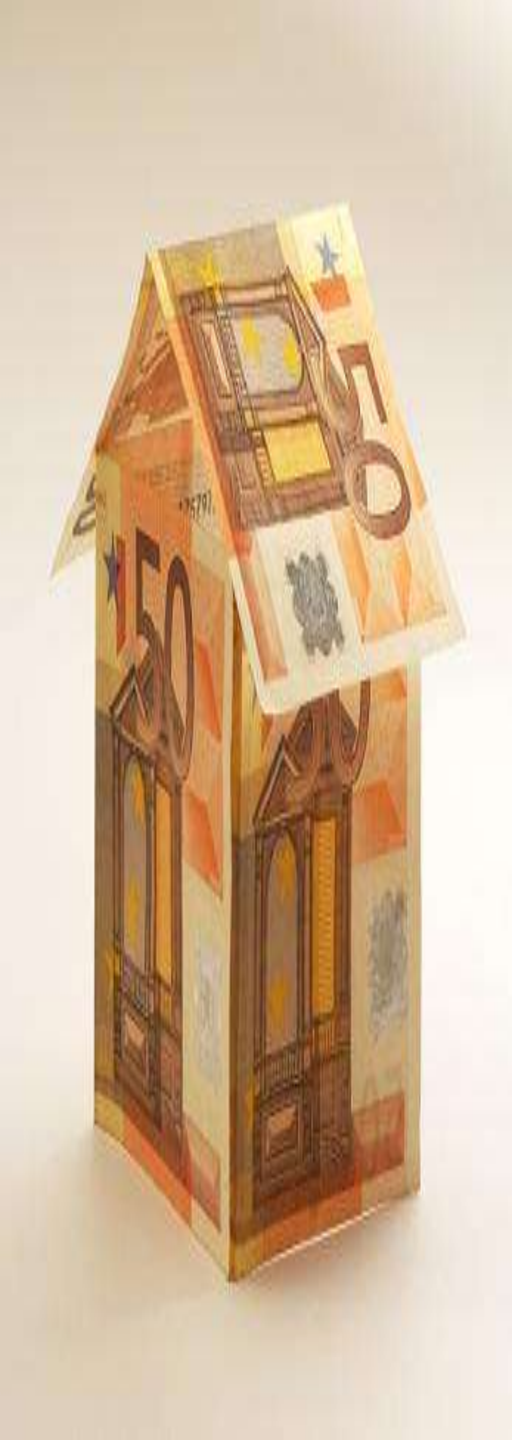

Long-Term Financial Investment

Post Office Saving Scheme

Public Provident Fund

Company Fixed Deposits

Bonds & Debentures

Mutual Funds

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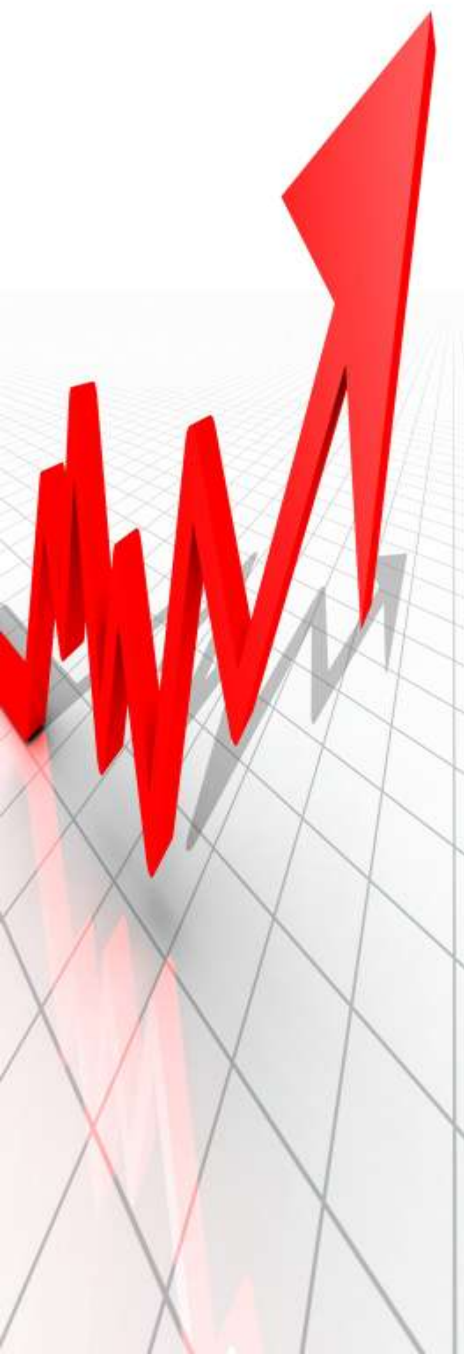
Post Office Savings

- A low risk saving instrument
- Provides an interest rate of 8% per annum paid monthly
- Minimum amount can be invested is Rs. 1000/-
- Maturity period of 6 years



Public Provident Fund

- A long term savings instrument with a maturity of 15 years
- Interest payable at 8 % per annum compounded annually
- PPF account can be opened through a nationalized bank

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Company Fixed Deposits

- These are short–term to medium – term borrowings at fixed rate of interest
- Payable monthly, quarterly, semi – annually or annually
- Rate of interest varies between 6-9% per annum
- Interest received after deduction of taxes

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Bonds

Fixed Income instrument issued for a period of more than one year

Purpose of raising capital

A promise to repay the principal along with a fixed rate of interest on specified date

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Mutual Fund

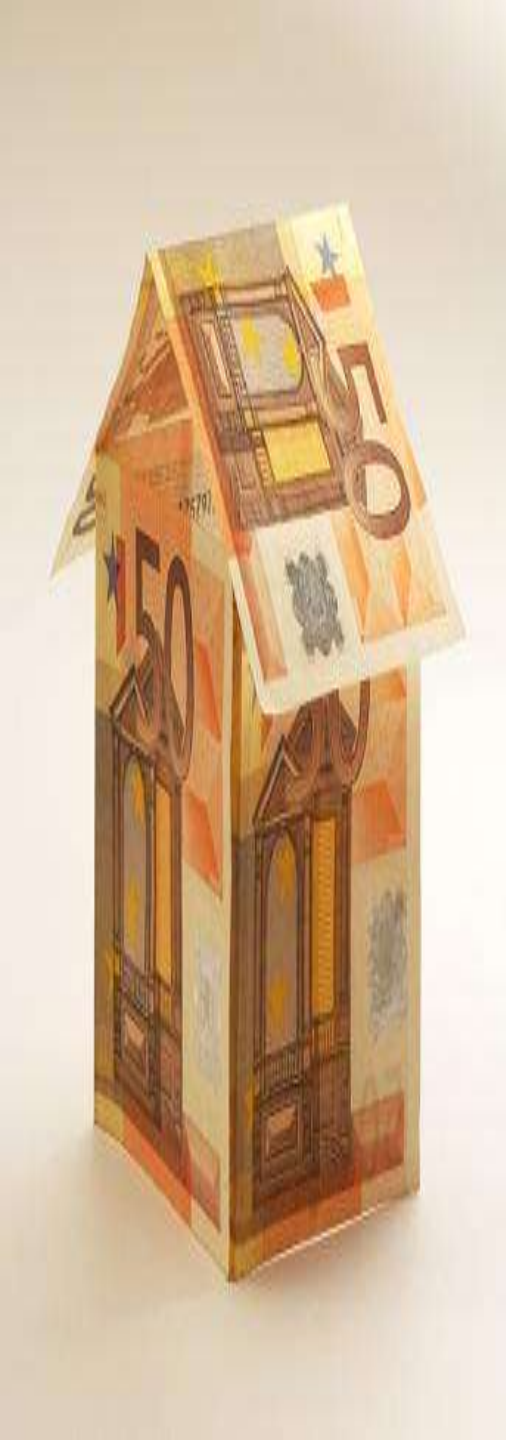
1. Operated by an investment company which raises money from the public and invests in a group of assets
2. Substitute for those who are unable to invest directly in equities or debt because of resource, time or knowledge constraints
3. Usually long term investment vehicle

Share

Total equity capital of a company is divided into equal units of small denominations

The holder of such shares are members of the company and have voting rights

For example, in a company the total equity capital of Rs 2,00,00,000 is divided into 20,00,000 units of Rs 10 each. Each such unit of Rs 10 is called a Share.



Derivative

- A product whose value is derived from the value of one or more basic variables, called underlying.
- Underlying assets can be equity, index, foreign exchange (forex), commodity or any other assets.
- Emerged as hedging devices against fluctuations in commodity prices and commodity-linked derivatives remained the sole form of such products for almost three hundreds years.

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THANK YOU